

*(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2018-015 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2018-015. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than

those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at <https://www.theocc.com/about/publications/bylaws.jsp>. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-OCC-2018-015 and should be submitted on or before January 22, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>41</sup>

**Brent J. Fields,**

*Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-84927; File No. SR-CboeBZX-2018-090]

**Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Halt Auction Process**

December 21, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 18, 2018, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

Cboe BZX Exchange, Inc. ("BZX" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to amend the Halt Auction process. The text of the proposed rule change is attached as Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

*A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change*

1. Purpose

The purpose of the proposed rule change is to amend the Halt Auction process used to re-open BZX listed securities following certain Regulatory Halts. In 2017, the Exchange amended its Halt Auction process for re-opening a security following a Trading Pause initiated pursuant to the Plan to Address Extraordinary Market Volatility—*i.e.*, the "Limit Up-Limit Down" or "LULD" Plan.<sup>5</sup> Specifically, the Exchange modified its rules such that initial Halt Auction Collars following a Trading Pause would be calculated using a new methodology based on the Price Band that triggered the Trading Pause, and instituted a process for extending the auction and further widening the collars if necessary to accommodate buy or sell pressure

<sup>41</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> See Securities Exchange Act Release Nos. 79162 (October 26, 2016), 81 FR 75875 (November 1, 2016) (Notice); 79884 (January 26, 2017), 82 FR 8968 (February 2, 2017) (Approval Order) (SR-BatsBZX-2016-61).

outside of the collars then in effect.<sup>6</sup> The Exchange believes that these changes have been effective in facilitating a fair and orderly market following Trading Pauses initiated pursuant to the Limit Up-Limit Down Plan, and has decided to implement similar functionality for all other Regulatory Halts, such as material news halts or trading halts following the initiation of the market wide circuit breaker mechanism (“Non-LULD Regulatory Halts”).<sup>7</sup> The Exchange believes that the proposed changes would promote price formation by providing a consistent and orderly Halt Auction process for members and investors following all Regulatory Halts, similar to the current implementation on NYSE Arca, Inc. (“Arca”).<sup>8</sup>

Currently, BZX Rule 11.23(d)(2)(B) describes the process for extending the Quote-Only Period for IPO and Halt Auctions, other than Halt Auctions following a Trading Pause, which are described in the recently added BZX Rule 11.23(d)(2)(C).<sup>9</sup> As provided in BZX Rule 11.23(d)(2)(B), the Quote-Only Period may be extended where: (i) There are unmatched market orders on the Auction Book associated with the auction; (ii) in an IPO Auction, the underwriter requests an extension; (iii) where the Indicative Price moves the greater of 10% or fifty cents in the fifteen seconds prior to the auction; or (iv) in the event of a technical or systems issue at the Exchange that may impair the ability of Users to participate in the IPO Auction or of the Exchange to complete the IPO Auction. The Exchange proposes to amend this rule such that this process would continue to be followed solely for IPO Auctions or Halt Auctions following a Non-Regulatory Halt. For Halt Auctions following a Non-LULD Regulatory Halt, the Exchange proposes to follow a process similar to that currently applied for Halt Auctions following a Trading

Pause, as described in BZX Rule 11.23(d)(2)(C).

BZX Rule 11.23(d)(2)(C), which describes the current process for incremental quote period extensions for Halt Auctions following a Trading Pause, provides that the Quote-Only Period commences five minutes prior to such Halt Auction, and is extended for an additional five minutes (“Initial Extension Period”) should a Halt Auction be unable to be performed due to a market order imbalance under BZX Rule 11.23(d)(2)(B)(i),<sup>10</sup> or where the Indicative Price,<sup>11</sup> before being adjusted for Halt Auction Collars, is outside the applicable Halt Auction Collars set forth in BZX Rule 11.23(d)(2)(C)(i) and (ii) (either, an “Impermissible Price”). After the Initial Extension Period, the Quote-Only Period is extended for additional five minute periods should a Halt Auction be unable to be performed due to an Impermissible Price until a Halt Auction occurs (“Additional Extension Period”).<sup>12</sup> The Exchange attempts to conduct a Halt Auction during the course of each Additional Extension Period. Furthermore, the Halt Auction is cancelled at 3:50 p.m., at which time the auction for the security is conducted pursuant to the Volatility Closing Auction process under BZX Rule 11.23(e).

The Exchange now proposes to amend BZX Rule 11.23(d)(2)(C) to implement this process for Halt Auctions following a Non-LULD Regulatory Halt as well. The proposed process for re-opening a BZX listed security after a Non-LULD Regulatory Halt would be identical to the process employed today for Halt Auctions following a Trading Pause, with only two differences that relate to the calculation of initial Halt Auction Collars. First, today the Halt Auction Reference Price for Halt Auctions following a Trading Pause is equal the

price of the Upper or Lower Price Band that triggered the halt. Similar to the current implementation on Arca,<sup>13</sup> the Exchange proposes that the initial Halt Auction Collar following a Non-LULD Regulatory Halt would instead be based on a Halt Auction Reference Price equal to the price of the Final Last Sale Eligible Trade (“FLSET”).<sup>14</sup> Second, today for Halt Auctions following a Trading Pause, if the Halt Auction Reference Price is the Lower (Upper) Price Band: (1) The initial upper (lower) Halt Auction Collar is the Upper (Lower) Price Band, and (2) the lower (upper) Halt Auction Collar is five percent less (greater) than the Halt Auction Reference Price, or \$0.15 less (greater) than the Halt Auction Reference Price for securities with a Halt Auction Reference Price of \$3.00 or less, in each case rounded to the nearest minimum price variation. Similar to the current implementation on Arca,<sup>15</sup> the Exchange proposes that Halt Auction Collars following a Non-LULD Regulatory Halt, would be calculated as described in (2) above, with this calculation applied to both the lower and upper collar. For example, if the FLSET for a security subject to a Non-

<sup>13</sup> Arca’s halt auction collars are based on an auction reference price equal to the last consolidated round-lot price of that trading day and, if none, the prior trading day’s official closing price (except as provided for in Arca Rule 7.35–E(e)(7)(A)) for trading halt auctions other than auctions following a Trading Pause. See Arca Rule 7.35E(a)(8)(A), (e)(7)(A).

<sup>14</sup> The term “Final Last Sale Eligible Trade” or “FLSET” means the last trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last trade reported to the consolidated tape received by BZX Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used. See BZX Rule 11.23(a)(9).

The FLSET is the Commission approved last sale formulation designed for use in BZX auctions, including the Halt Auction. See Securities Exchange Act Release Nos. 65266 (September 6, 2011), 76 FR 56249 (September 12, 2011) (Notice); 65619 (October 25, 2011), 76 FR 67238 (October 31, 2011) (Approval Order) (SR–BATS–2011–032). The FLSET as defined in BZX Rule 11.23(a)(9) is equivalent to Arca’s reference price in substance, except that the most recent trade executed on BZX during Regular Trading Hours is used if such a trade is executed within the last one second prior to the halt. The Exchange believes that is appropriate to use the price of a trade on the primary listing market, *i.e.*, BZX, to set the reference price for auctions in BZX-listed securities when such a trade has been executed recently. Using the FLSET as currently formulated and approved would therefore ensure that the reference price selected provides a familiar and desirable experience for member and investors participating in BZX auctions.

<sup>15</sup> See Arca Rule 7.35E(e)(7)(B)(ii).

<sup>6</sup> The Exchange also modified its clearly erroneous rules to provide that executions as a result of a Halt Auction under Rule 11.23, which encompasses all Halt Auctions, including but not limited to those following a Trading Pause, are not eligible to for a request to review as clearly erroneous under Rule 11.23(d).

<sup>7</sup> A marketwide circuit breaker is triggered if the price of the S&P 500 Index declines by a specified amount compared to the closing price for the immediately preceding trading day. See BZX Rule 11.18(a).

<sup>8</sup> See Securities Exchange Act Release Nos. 79107 (October 18, 2016), 81 FR 73159 (October 24, 2016) (Notice); 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (Approval Order) (SR–NYSEArca–2016–130).

<sup>9</sup> The term “Quote-Only Period” means a designated period of time prior to a Halt Auction, a Volatility Closing Auction, or an IPO Auction during which Users may submit orders to the Exchange for participation in the auction. See BZX Rule 11.23(a)(17).

<sup>10</sup> A market order imbalance exists when there are unmatched market orders on the Auction Book associated with the auction. See BZX Rule 11.23(d)(2)(B)(i). Since Rule 11.23(d)(2)(B), as amended, would apply solely to IPO Auctions to Halt Auctions following a Non-Regulatory Halt, the Exchange proposes to replace the reference to a market order imbalance under Rule 11.23(d)(2)(B)(i) with the text of the language included therein.

<sup>11</sup> The term “Indicative Price” means the price at which the most shares from the Auction Book and the Continuous Book would match. In the event of a volume based tie at multiple price levels, the Indicative Price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Indicative Price will be the price closest to the Volume Based Tie Breaker. See BZX Rule 11.23(a)(10).

<sup>12</sup> In the event of any extension to the Quote-Only Period as set forth in Rule 11.23(d)(2)(B) or (C), the Exchange notifies market participants regarding the circumstances and length of the extension. See BZX Rule 11.23(d)(2)(D).

LULD Regulatory Halt is \$100.00, then the initial Halt Auction Collars would be \$95.00 × \$105.00—*i.e.*, five percent below and above the FLSET.

All other logic currently in place for Halt Auctions Collars following a Trading Pause would be used for Halt Auctions following a Non-LULD Regulatory Halt, including the process for initiating extensions. Specifically, as is the case for Halt Auctions following a Trading Pause today, at the beginning of the Initial Extension Period the upper (lower) Halt Auction Collar would be increased (decreased) by five percent in the direction of the Impermissible Price, rounded to the nearest minimum price variation. For securities with a Halt Auction Reference Price of \$3.00 or less, the Halt Auction Collar would be increased (decreased) in \$0.15 increments in the direction of the Impermissible Price. At the beginning of each Additional Extension Period, the Halt Auction Collar would be widened in accordance with BZX Rule 11.23(d)(2)(C)(ii) by the same amount as the Initial Extension Period.

The Exchange also proposes to amend BZX Rule 11.23(d)(2)(E) to reflect the proposed changes to the Halt Auction Collars described above, and make other technical corrections to that rule. Currently, BZX Rule 11.23(d)(2)(E) provides that IPO Auctions for ETPs are executed within the Collar Price Range, and Halt Auctions for ETPs are executed within the Halt Auction Collars. Although the Exchange has traditionally been a listing venue for ETPs, the Exchange now lists one corporate security—*i.e.*, the stock of its parent company, Cboe Global Markets, Inc. The Exchange therefore proposes to eliminate the outdated reference to ETPs in this section. Furthermore, as described in more detail in the prior paragraphs, the Halt Auction Collars provided in BZX Rule 11.23(d)(2)(C) would apply to Halt Auctions following a Regulatory Halt, including both Trading Pauses and Non-LULD Regulatory Halts. The Collar Price Range, meanwhile, is used for Halt Auctions following either an IPO Auction or a Non-Regulatory Halt. The Exchange therefore proposes to amend the rule to state that the applicable Collar Price Range will be used for IPO Auctions and Halt Auctions following a Non-Regulatory Halt, while the applicable Halt Auction Collar will be used for Halt Auctions following a Regulatory Halt.

Finally, the Exchange proposes to amend its Volatility Closing Auction to account for the widened Halt Auction Collars following a Regulatory Halt,

similar to handling on Arca.<sup>16</sup> The Exchange conducts a Volatility Closing Auction for a halted security instead of the normal Closing Auction or Halt Auction, if the security halted between 3:50 p.m. and 4:00 p.m. pursuant to BZX Rule 11.18, or the Quote-Only Period of a Halt Auction for a security halted before 3:50 p.m. pursuant to BZX Rule 11.18 would otherwise be extended by the Exchange after 3:50 p.m. Currently, orders are executed in the Volatility Closing Auction at the price level within the Collar Price Range that maximizes the number of shares executed in the auction, with certain tie-breakers in the event that there is a volume based tie at multiple price levels. Instead of using the Collar Price Range, the Exchange proposes to preserve the widened collars discussed in this filing for Halt Auctions following either a Trading Pause or Non-LULD Regulatory Halt.<sup>17</sup> As proposed, orders would be executed at the price level within the most recently widened Halt Auction Collar calculated pursuant to BZX Rule 11.23(d)(1)(C) that maximizes the number of shares executed in the auction.<sup>18</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Act,<sup>19</sup> in general, and Section 6(b)(5) of the Act,<sup>20</sup> in particular, in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and not to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it would amend the Halt Auction process following a Non-LULD Regulatory Halt to be more closely aligned with behavior currently implemented for Halt Auctions following a Trading Pause. The

<sup>16</sup> See *infra* note 18.

<sup>17</sup> The most recently widened Halt Auction Collars calculated pursuant to Rule 11.23(d)(1)(C) would be used in all instances, including where the security goes directly into the Volatility Closing Auction without first being processed in a Halt Auction.

<sup>18</sup> Arca also uses auction collars based on the most recently widened collars for the halt auction that did not occur when transitioning to a closing auction instead of the regular halt auction at the end of core trading hours. See Arca Rule 7.35–E(e)(10)(B).

<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

Exchange recently amended its re-opening process following a Trading Pause to better account for buy or sell pressure by changing the manner in which initial Halt Auction Collars are established, and widening the collars as appropriate to accommodate trading interest submitted to participate in the auction. The Exchange believes that these changes have been generally successful in facilitating a fair and orderly process for re-opening securities following a Trading Pause. The Exchange has therefore decided to use a similar process for Halt Auctions following a Non-LULD Regulatory Halt. The Exchange believes that extending the current process for setting and widening Halt Auction Collars following a Trading Pause to Halt Auctions following a Non-LULD Regulatory Halt would benefit investors by facilitating price discovery and promoting consistency in how the Exchange conducts Halt Auctions following a Regulatory Halt.

While the proposed process for Halt Auctions following a Non-LULD Regulatory Halt would largely follow the process in place today for Halt Auctions following a Trading Pause, there would be two notable differences. Both of these differences are designed to ensure that suitable Halt Auction Collars are utilized for Halt Auctions following Non-LULD Regulatory Halts. For instance, while an Auction Reference Price based on the Price Band that triggered the Trading Pause continues to be appropriate in the context of Halt Auctions following Trading Pauses, the Exchange believes that a different reference is necessary for Halt Auctions following Regulatory Halts that are unrelated to the LULD mechanism. The Exchange has chosen to use the FLSET as the Halt Auction Reference Price in these circumstances as this price is reflective of the current market for the halted security. Similarly, the Exchange believes that it is appropriate to calculate both upper and lower collars that are a specified percentage or dollar amount from this reference price because Non-LULD Regulatory Halts do not involve security specific buy or sell pressure. Both of these differences mirror the application of Halt Auction Collars on Arca today,<sup>21</sup> and would therefore provide both a fair and familiar experience for members

<sup>21</sup> Although there are minor differences between the FLSET and the reference price used by Arca, the Exchange believes that it is appropriate to use the FLSET as the reference price as this price represents the last sale calculation used for auctions in BZX listed securities pursuant to Rule 11.23. See *supra* note 14.

and investors trading BZX listed securities.

Similar to Halt Auctions following a Trading Pause, the Exchange believes that the proposed changes are consistent with the protection of investors and the public interest because they are designed to facilitate price discovery by ensuring that all market order interest could be satisfied in Halt Auctions following a Non-LULD Regulatory Halt. Furthermore, the Exchange believes that the standardized procedures to extend Halt Auctions an additional five minutes are appropriate because this would provide additional time to attract offsetting liquidity. If at the end of such extension, market orders still cannot be satisfied within the applicable Halt Auction Collar, or if the re-opening auction would be priced outside of the applicable collars, the Exchange would extend the Halt Auction an additional five minutes. The Exchange believes that extending the auction in these circumstances would protect investors and the public interest by reducing the potential for significant price disparity in post-auction trading. With each such extension, the Exchange believes that it is appropriate to widen the Halt Auction Collar on the side of the market on which there is buying or selling pressure as market conditions may prevent an imbalance from being resolved within the prior auction collars.

The Exchange also believes that it is appropriate to amend its rules to properly indicate when the Collar Price Range and Halt Auction Collars are used. As discussed elsewhere in this proposed rule change, the applicable Collar Price Range would be used for IPO Auctions and Halt Auctions following a Non-Regulatory Halt, and the applicable Halt Auction Collar described in Rule 11.23(d)(2)(C) would be used for all Halt Auctions following a Regulatory Halt, including both Trading Pauses and Non-LULD Regulatory Halts. The proposed rule changes would remove unnecessary and outdated references to ETPs and make other changes consistent with the framework discussed in this proposed rule change for the calculation of auction collars. The Exchange therefore believes that the amended rule would increase transparency around the operation of the Exchange's auctions, and is therefore consistent with the public interest and the protection of investors.

Finally, the Exchange believes that it is consistent with the protection of investors and the public interest to preserve the widened Halt Auction Collars following a Regulatory Halt

when no Halt Auction has occurred prior to 3:50 p.m. and the Exchange therefore performs a Volatility Closing Auction. Using the most recently widened Halt Auction Collars in these circumstances ensures that buy or sell pricing pressure that resulted in the Exchange widening the Halt Auction Collars is appropriately accounted for when the Exchange transitions to a Volatility Closing Auction. The Exchange believes that the process for setting Halt Auction Collars following a Regulatory Halt facilitates price discovery and the maintenance of a fair and orderly market. Allowing these collars to persist, similar to Arca, would further ensure that the collars used for the Volatility Closing Auction would appropriately reflect the market for the security in a manner that facilitates price discovery when the Exchange transitions to a closing process instead of re-opening the security pursuant to the Halt Auction process.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to provide for a measured and transparent process for re-opening BZX listed securities after a Non-LULD Regulatory Halt that mirrors the current Halt Auction process following a Trading Pause initiated pursuant to the Limit Up-Limit Down Plan. A similar process is already used by Arca across all Regulatory Halts, and the Exchange believes that this handling would be beneficial for market participants that trade BZX listed securities. Rather than burden competition, the Exchange believes that the proposed rule change is evidence of the robust competition between equities markets that benefits members and investors.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No comments were solicited or received on the proposed rule change.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing proposed rule change does not:

- A. Significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and

C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6) thereunder.<sup>23</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2018-090 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.
- All submissions should refer to File Number SR-CboeBZX-2018-090. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the

<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2018-090 and should be submitted on or before January 22, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84926; File No. SR-MSRB-2018-10]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of the Content Outline for the Municipal Advisor Principal Qualification Examination and Its Associated Selection Specifications for the Examination

December 21, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act" or "Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 20, 2018 the Municipal Securities Rulemaking Board (the "MSRB" or "Board") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission the content outline for the Municipal Advisor Principal Qualification Examination ("Series 54 examination") and its associated selection specifications for the examination ("selection specifications") (collectively, the "proposed rule change").<sup>3</sup> The MSRB is not proposing any textual changes to its rules. The proposed rule change has been filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and Rule 19b-4(f)(6) thereunder.<sup>5</sup>

The text of the proposed rule change is available on the MSRB's website at [www.msrb.org/Rules-and-Interpretations/SEC-Filings/2018-Filings.aspx](http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2018-Filings.aspx), at the MSRB's principal office, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

Section 15B of the Act authorizes the MSRB to prescribe "standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons"<sup>6</sup> and requires persons in any such class to pass tests prescribed by the Board.<sup>7</sup> Section

<sup>3</sup> The MSRB is also proposing the question bank for the Series 54 examination, but based upon instructions from the Commission staff, the MSRB is not filing the question bank for Commission review. See letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000, attached as Exhibit 3b. The question bank is available for Commission review.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(6).

<sup>6</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>7</sup> 15 U.S.C. 78o-4(b)(2)(A)(iii).

15B(b)(2)(L)(iii) of the Act further requires the MSRB to establish professional standards for municipal advisors.<sup>8</sup> A professional qualification examination is intended to determine whether an individual meets the MSRB's required qualification standards. The MSRB believes that professional qualification examinations, such as the Municipal Advisor Representative Qualification Examination ("Series 50 examination") and the Series 54 examination, are means for determining the competency of individuals in particular qualification classifications.

On November 20, 2018, the Commission approved amendments<sup>9</sup> to MSRB Rule G-3, on professional qualification requirements, to require, among other things, that municipal advisor principals—those who engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons ("principal-level activity")—pass the Series 54 examination, in addition to the Series 50 examination, to become appropriately qualified as a municipal advisor principal. The Series 50 examination is designed to establish that persons associated with a municipal advisor who engage in municipal advisory activities and persons who engage in principal-level activity demonstrate a baseline knowledge of the municipal market, municipal advisory activities, as well as the regulatory requirements. Conversely, the Series 54 examination is designed to establish that persons who engage in principal-level activity demonstrate a specified level of knowledge of the application of federal securities laws, including MSRB rules to the municipal advisory activities of a municipal advisor and that of its associated persons.

The MSRB believes the establishment of qualification requirements for municipal advisor principals would assist in ensuring that such persons have a specified level of competency necessary with respect to the supervision of the municipal advisory activities of the municipal advisor that is appropriate in the public interest and for the protection of investors, and municipal entities and obligated persons.

The MSRB has, in consultation with the MSRB's Professional Qualification Advisory Committee (PQAC), and in

<sup>8</sup> 15 U.S.C. 78o-4(b)(2)(L)(iii).

<sup>9</sup> See Exchange Act Release No. 84630 (November 20, 2018), 83 FR 60927 (November 27, 2018) (File No. SR-MSRB-2018-07).

<sup>24</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.